

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

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R 100910Z MAR 76

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 5858

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

AMCONSUL ZAGREB

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E.O. 11652: NA

TAGS: EGEN ETRD EEC YO

SUBJ: YUGOSLAVIA MOVES TO IMPROVE TRADE POSITION

SUMMARY: YUGOSLAVIA'S SHORT-TERM REACTION TO SHARP FALL-OFF IN EXPORTS TO WESTERN EUROPE WAS IMPOSITION OF IMPORT RESTRICTIONS, EMPHASIS ON COUNTER-TRADE AND EXHORTATIONS TO WESTERN PARTNERS TO BUY MORE YUGOSLAV GOODS. RECENT VISITS TO EEC COUNTRIES BY TRADE MINISTER LUDVIGER, FEC MEMBER SMOLE AND PRIME MINISTER BIJEDIC SUGGEST THAT YUGOSLAVS STEPPING UP EFFORTS TO WIN INCREASED ORDERS AND CONCESSIONS FROM WEST EUROPEAN TRADING PARTNERS WITH LIMITED OFFICIAL USE

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SOME, BUT THUS FAR LIMITED, SUCCESS. NEXT STEP MAY SEE INCREASED

AND IMPROVED YUGOSLAV TRADE PROMOTION EFFORTS IN IMPORTANT MARKETS.
END SUMMARY.

1. YUGOSLAV REACTION TO RECESSION-INDUCED DECLINE IN EXPORTS TO WESTERN EUROPE HAS TAKEN SEVERAL FORMS. IN ORDER PROTECT BALANCE OF PAYMENTS POSITION, IMPORT RESTRICTIONS INTRODUCED, ALLEGEDLY ON TEMPORARY BASIS. IN ADDITION FIRMS DOING BUSINESS IN YUGOSLAVIA MORE AND MORE FREQUENTLY ASKED TO INCLUDE CONTRACTUAL PROVISIONS FOR COUNTERTRADE. REPORTEDLY SEVERITY THIS REQUIREMENT TAILORED TO BILATERAL BALANCE OF TRADE PICTURE WITH INDIVIDUAL COUNTRIES. THUS, WE HAVE HEARD THAT AUSTRIAN COMPANIES (AUSTRIA HAVING PARTICULARLY LARGE FAVORABLE BALANCE) WISHING EXPORT TO YUGOSLAVIA BEING ASKED SIGN CONTRACTS THAT PROVIDE FOR 100 PERCENT COUNTERTRADE; DEMANDS ON OTHER EUROPEAN COUNTRIES LESS ONEROUS. (SOME U.S. FIRMS BEING ASKED FOR COUNTERTRADE; OTHERS NOT.) FINALLY, YUGOSLAVS SPENT GREAT DEAL OF TIME IN EXHORTING WEST EUROPEANS TO BUY MORE YUGOSLAV GOODS. EUROPEANS, WHILE SYMPATHETIC TO YUGOSLAV NEEDS, POINTED OUT THAT THEY COULD DO LITTLE TO COMPEL THEIR FIRMS TO PURCHASE MORE FROM YUGOSLAVIA. HOWEVER, THERE NOW SOME SIGNS THAT BOTH WESTERN EUROPEAN AND YUGOSLAV ATTITUDES CHANGING. YUGOSLAVS NOW BEGINNING TAKE SOME STEPS THAT IN LONG RUN MAY IMPROVE EXPORT PERFORMANCE, WHILE EUROPEANS SOMEWHAT MORE WILLING HELP YUGOSLAVS ORGANIZE TRADE PROMOTION EFFORTS.

2. IN EARLY FEBRUARY FOREIGN TRADE MINISTERS LUDVIGER CALLED ON GERMAN OFFICIALS IN BONN TO DISCUSS WAYS OF ALLEVIATING THE EXTREME IMBALANCE IN BILATERAL TRADE WHICH HAS, ACCORDING TO THE YUGOSLAVS, CEASED TO BE OFFSET BY GUEST WORKER REMITTANCES AND GERMAN TOURIST SPENDING. LOCAL PRESS PLAYED UP VISIT AS IMPORTANT EFFORT IN ACTIVE GOY EXPORT POLICY. LUDVIGER REPEATED PRESIDENT TITO'S NOVEMBER WARNING THAT INDIFFERENCE IN WEST WOULD FORCE YUGOSLAVIA INTO EXPANDED TRADE WITH EAST. MEETING WAS ALSO OCCASION FOR ANNOUNCEMENT OF RAISING HERMES CREDIT CEILING FROM 200 TO 300 MILLION DM, A FIGURE WHICH EVENS GERMANS PRIVATELY CONSIDER NIGGARDLY. ASIDE FROM THIS DIFFICULT TO SEE WHAT ELSE LUDVIGER MAY HAVE ACCOMPLISHED SINCE, ACCORDING TO GERMANS, MEETING LASTED BARELY 90 MINUTES - MUCH OF WHICH TAKEN UP BY PROTOCOL NICETIES. SECOND EFFORT IN RAISING EEC CONSCIOUSNESS WAS MID-FEBRUARY VISIT OF JANKO SMOLE, EEC MEMBER AND UNOFFICIAL GOY AMBASSADOR LIMITED OFFICIAL USE

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TO EEC, TO PARIS, BRUSSELS, AND LONDON. SMOLE BEAT SIMILAR DRUM IN THE THREE CAPITALS, WHERE HE IS USUALLY LISTENED TO WITH RESPECT AND YUGOSLAV PRESS GAVE A GREAT DEAL OF ATTENTION TO THE TALKS. TANJUG PRESS REPORTS FROM LONDON EMPHASIZED DISCUSSIONS ON AGRICULTURAL COOPERATION, INVOLVING CROP IMPROVEMENT AND TECHNOLOGICAL COOPERATION IN FOOD PROCESSING.

3. A THIRD, AND MORE DIFFUSE, EFFORT WAS UNDERTAKEN BY PRESIDENT

OF THE FEDERAL COUNCIL DZEMAL BIJEDIC IN MID-FEB WHEN HE VISITED PARIS, IN ANTICIPATION OF GISCARD'S COMING VISIT TO TITO. BIJEDIC MADE THE NOW STANDARD POINTS WITH PREMIER CHIRAC AND LATER WITH LUXEMBOURG AND BRUSSELS AUTHORITIES. INFORMED SOURCES HERE TENDED TO DOWNPLAY BIJEDIC EFFORTS SINCE HE NOT HEAVYWEIGHT IN ECONOMIC FIELD. BIJEDIC'S VISIBLE TRIUMPH WAS THE ANNOUNCEMENT OF THE FOUNDING OF A FRENCH-YUGOSLAV BANK, WHOSE PURPOSE AND FUNDING IS NOT YET CLEAR. NON-FRENCH DIPLOMATIC SOURCE HERE MENTIONED THAT BANK WILL PROBABLY GO NOWHERE SINCE YUGOSLAVS HAVE MOVED VERY SLOWLY IN ITS ORGANIZATION ANDDD FRENDDH DIDN'T WANT IT IN THE FIRST PLACE. IN ADDITION, CHIRAC REPORTEDLY REACTED WITH SOME CONCERN TO BIJEDIC PLEA THAT FRENCH HELP BRINGS BILATERAL TRADE INTO BETTER BALANCE. ONE REPORT FROM FRENCH EMBASSY SOURCES HAS CHIRAC IN FRONT OF BIJEDIC TURNING TO FRENCH TRADE MINISTER AND TELLING HIM IMMEDIATELY TO GO TO BELGRADE. MINISTER NOT DUE HERE UNTIL APRIL, BUT FRENCH HAVE AGREED RECEIVE DELEGATION OF WOULD-BE YUGOSLAV EXPORTERS IN THE INTERIM. WHETHER THESE MOVES WILL HAVE ANY EFFECT DEPENDS ON YUGO-SLAVS COMING UP WITH SPECIFIC OFFERS OF EXPORTABLE PRODUCTS-- WHICH THEY HAVE NOT YET DONE, ACCORDING TO FRENCH EMBASSY.

4. IN ADDITION TO EEC, OTHER EUROPEAN COUNTRIES REPORTEDLY WILLING HELP YUGOSLAVS INCREASE EXPORTS. THUS YUGOSLAV TRADE DELEGATION

GOING TO SCANDINAVIAN COUNTRIES LATER THIS MONTH TO PROMOTE YUGOSLAV GOODS, WITH SCANDINAVIANS REPORTEDLY ARRANGING APPOINTMENTS FOR GROUP AND FACILITATING THEIR EFFORTS. SWISS ALSO AGREED TO CONVENE A GOVERNMENT-BUSINESS GROUP FIRST TIME SINCE 1974 TO DISCUSS WAYS TO IMPROVE YUGOSLAVIA'S EXPORT PERFORMANCE. NONE OF THESE OFFERS ADD UP TO VERY MUCH, BUT THEY AT LEAST REPRESENT SOME MOVEMENT.

5. ANOTHER EFFORT HAS DEVELOPED FROM A LOCAL REALIZATION THAT LIMITED OFFICIAL USE

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WESTERN TRADE PARTNERS MAY BE RIGHT WHEN THEY COMPLAIN OF POOR PROMOTION OF YUGOSLAV GOODS ABROAD. WHILE SOME YUGOSLAV REPRESENTATIVES COMPETENT, TOO OFTEN GOY SENDS REDUNDANT AND TORPID REPRESENTATIVES ABROAD. ACCORDING TO OUR INFORMATION, YUGOSLAV TRADE PROMOTION OFFICERS FROM ALL OVER THE WORLD WILL BE CALLED TOGETHER IN BELGRADE SOME TIME THIS MONTH TO BE READ THE RIOT ACT AND MANY WILL NOT RETURN TO THEIR POSTS. AS A RESULT OF A RECENT AGREEMENT BETWEEN PRESIDENT OF THE FEDERAL CHAMBER OF ECONOMY VAKIC AND FOREIGN MINISTER MINIC, THE CHAMBER'S CURRENT SECRETARY FOR LICENSING, DEJAN DIMOV, WILL ADD TO HIS DUTIES THAT OF LIAISON OFFICER BETWEEN THE CHAMBER AND THE FOREIGN MINISTRY WITH SPECIAL RESPONSIBILITY FOR EXPORT PROMOTION. DIMOV IS YOUNG, ACTIVE AND SOMEWHAT CONTROVERSIAL. GOY WOULD SEEM TO BE MAKING A SINCERE EFFORT HERE SINCE A SAFER CHOICE WOULD HAVE BEEN A PARTY LOYALIST. WHERE THE NECESSARY TALENT MAY COME FROM IS A POSER SINCE NEITHER

THE YUGOSLAV GOVT NOR TRADING ENTERPRISES HAVE ANY TO SPARE.
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